

Message Text

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ACTION IO-10

INFO OCT-01 ARA-06 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 AGR-05 PA-01

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 167

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E.O. 11652: N/A

TAGS: EGEN, UNGA, VE

SUBJECT: VENEZUELAN REACTION TO SECRETARY'S SPEECH AT UNGA

7TH SPECIAL SESSION

REF STATE 207669

1. SUMMARY: EMBASSY OFFICERS MET WITH GOV REPS TO DISCUSS THE SECRETARY'S SPEECH TO THE UNGA 7TH SPECIAL SESSION. WHILE LAUDING THE SECRETARY'S ENUNCIATION OF PRINCIPLES, THE VENEZUELAN DISAGREED IN DETAIL ON PROPOSED IMPLEMENTATION. THE SPEECH WAS CITED AS A POSITIVE STEP TOWARD DIALOGUE, BUT TO A CONSIDERABLE DEGREE THEIR REMARKS REFLECTED RESENTMENT OF THE CRITICISM OF OIL PRODUCERS AND THE EXPECTATION OF CONTINUING PRESSURE ON THE ISSUE FROM THE U.S. THE REPORT BELOW REFLECTS THE VENEZUELAN POINTS OF VIEW EXPRESSED. OUR EFFORTS TO REFUTE THESE ARGUMENTS WERE POLITELY REJECTED ON ALL SIDES. WE SHOULD ANTICIPATE THAT

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THE GOV WILL CONTINUE TO KEEP A CERTAIN DISTANCE BETWEEN ITS

VIEWS AND THOSE OF THE U.S. END SUMMARY.

2. EMBASSY OFFICERS MET WITH THE STAFF OF MINISTER OF STATE FOR INTERNATIONAL ECONOMIC AFFAIRS, MANUEL PEREZ GUERRERO (WHO WAS ABSENT ATTENDING THE UNGA 7TH SPECIAL SESSION), TO DISCUSS THE SECRETARY'S SEP 1. SPEECH AT THE UNGA 7TH SPECIAL SESSION. THESE ARE PERIODIC MEETINGS WHICH WE HOLD TO DISCUSS INTERNATIONAL ECONOMIC ISSUES, AND THE ATMOSPHERE IS ONE OF INFORMALITY AND "NO HOLDS BARRED." THE VENEZUELAN SIDE BEGINS EACH MEETING BY INSISTING THAT THEIR REMARKS ARE NOT NECESSARILY THE VIEWS OF THE GOV BUT RATHER OF THE STAFF MEMBERS PRESENT. IN ADDITION TO THREE OFFICERS FROM PEREZ GUERRERO'S STAFF, THE MEETING WAS ATTENDED BY REPS OF THE FOREIGN MINISTRY AND THE INTERNATIONAL TRADE INSTITUTE. THE VENEZUELAN REPS HAD PREVIOUSLY RECEIVED COPIES OF THE SECRETARY'S SPEECH AND OF EXCERPTS FROM SECRETARY SIMON'S SPEECH AT THE IMF/IBRD ANNUAL MEETING.

3. AN EMBASSY OFFICER OPENED THE DISCUSSION BY STRESSING THE POINTS CONTAINED IN PARAS 3 AND 4 OF REFTEL, DESCRIBING THE SPEECH AS AN EXTRAORDINARY INITIATIVE TO STIMULATE A SERIOUS DIALOGUE BETWEEN DEVELOPED AND DEVELOPING COUNTRIES. PARTICULAR STRESS WAS GIVEN TO THE DESIRE OF THE U.S. TO AVOID A CONFRONTATION OVER THE ISSUES INVOLVED. THE 5 MAJOR AREAS DEALT WITH IN THE SECRETARY'S SPEECH WERE REVIEWED.

4. THE GOV REPS NOTED THE CHARACTERISTICALLY DIRECT MANNER IN WHICH THE SECRETARY HAD ADDRESSED HIS SUBJECT. THEY ALSO NOTED THE CRITICISM OF THE OPEC COUNTRIES. NEVERTHELESS, AS A GENERAL VIEW THEY AGREED WITH THE PRINCIPLES ENUNCIATED BY THE SECRETARY BUT HAD RESERVATIONS ON IMPLEMENTATION. THEY AGREED THAT HIS PROPOSALS WERE A POSITIVE STEP TOWARD DIALOGUE. THEY NOTED, HOWEVER, THAT THE RESUMPTION OF THE PARIS CONFERENCE BETWEEN PRODUCERS AND CONSUMERS WAS NOT HIGHLIGHTED IN THE SPEECH AND THAT APPROPRIATE LINKS BETWEEN DISTINCT PROBLEMS DESCRIBED WERE MISSING FROM THE ANALYSIS. THEY EXPRESSED THE OPINION THAT THE SECRETARY'S ANALYSIS GAVE THEM THE IMPRESSION OF BEING COMPARTMENTALIZED. THEY VOICED SOME APPREHENSION THAT SOME COUNTRIES WOULD GAIN AN ADVANTAGE OVER OTHERS IF THE SECRETARY'S PROPOSALS WERE IMPLEMENTED. THEY CLAIMED TO SEE A "WHAT IS GOOD FOR GENERAL MOTORS..." ATTITUDE UNDERLINING THE SECRETARY'S SPEECH AND ALSO IN WHAT THEY LIMITED OFFICIAL USE

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HAD SEEN OF SECRETARY SIMON'S SPEECH.

5. REFERRING TO THE SECRETARY'S PROPOSALS FOR "ECONOMIC SECURITY," THE GOV REPS NOTED THAT THERE WERE MANY NEW IDEAS EXPRESSED, CONSTITUTING A "BIG STEP FORWARD." THEY REGARDED PETROLEUM MATTERS AS BEING CLOSELY LINKED TO ECONOMIC SECURITY. THE IMF AND THE IBRD, TWO KEY INSTITUTIONS INVOLVED IN THIS AREA, WILL HAVE TO BE RESTRUCTURED, ACCORDING TO THE VENEZUELAN VIEW, IN

ORDER TO GIVE LDCS AT LEAST AN EQUAL VOICE. THE PRACTICE OF THESE INSTITUTIONS OF CONDITIONING ASSISTANCE SHOULD BE ELIMINATED SINCE SUCH PRACTICES CAN BE USED TO PLACE UNDUE POLITICAL PRESSURE ON RECIPIENTS, FOR INSTANCE, ON NATIONALIZATION CASES. THE GOV REPS BELIEVE THAT CREATION OF A TRUST FUND THROUGH SALE OF IMF GOLD MAY HAVE AN INFLATIONARY IMPACT UNLESS HANDLED CAREFULLY.

6. TURNING TO ECONOMIC GROWTH ACCELERATION, THE GOV REPS EXPRESSED A STRONG PREFERENCE FOR MULTILATERAL OVER BILATERAL AID. THEY OBJECTED TO THE SECRETARY'S REMARK ABOUT THE INADEQUACY OF OIL EXPORTER'S ASSISTANCE TO POORER COUNTRIES. THEY POINTED OUT THAT THE FIGURES USED IN THE SPEECH DID NOT REFLECT THE MAGNITUDE OF AID GIVEN. VENEZUELA IS PROUD OF WHAT IT HAS DONE AND BELIEVES IT SHOULD RECEIVE CREDIT FOR ITS EFFORTS, WHICH PROPORTIONALLY HAVE BEEN CONSIDERABLY GREATER THAN THOSE OF DCS. THE GOV REPS CONCURRED IN THE IMPORTANCE OF IMPROVING LDC ACCESS TO DC CAPITAL MARKETS. THEY RECOGNIZED THE PROPOSED INTERNATIONAL INVESTMENT TRUST AS AN IMPORTANT DEPARTURE FROM PRESENT ARRANGEMENTS, BUT QUESTIONED WHETHER THE \$200 MILLION LOSS RESERVE PROPOSED BY THE SECRETARY WOULD BE SUFFICIENT. AFTER SOME DISCUSSION OF THE MULTIPLIER EFFECT, I.E. WHETHER 10:1 OR 5:1 WOULD BE THE APPROPRIATE FIGURE AND IN THE CASE OF COUNTRIES LIKE BANGLADESH 1:1, THEY ESTIMATED THAT IT WOULD GENERATE ABOUT 1 BILLION DOLLARS IN INVESTMENT.

7. THE GOV REPS REMARKED ON THE NUMBER OF NEW INITIATIVES PROPOSED BY THE SECRETARY AND THE POLITICAL WILL WHICH WOULD BE REQUIRED TO IMPLEMENT THEM. THEY NOTED THAT THE SECRETARY REFERRED TO POLITICAL WILL TOWARDS THE END OF HIS SPEECH AND SUGGESTED THAT IT WOULD HAVE BEEN MORE APPROPRIATE TO EMPHASIZE THIS POINT AT THE BEGINNING. THE GOV REPS OBJECTED TO THE NUMBER OF NEW ORGANIZATIONS PROPOSED BY THE SECRETARY TO CARRY OUT HIS PROPOSALS. REFERRING TO TRANSFER OF TECHNOLOGY, THEY LIMITED OFFICIAL USE

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EXPRESSED A STRONG PREFERENCE FOR THE USE OF EXISTING CHANNELS. FOR EXAMPLE, INSTEAD OF AN "INTERNATIONAL ENERGY INSTITUTE," THEY SUGGESTED THAT THE IAEA WOULD BE SUFFICIENT; UNIDO COULD TAKE ON THE TASKS SUGGESTED FOR THE PROPOSED "INTERNATIONAL INDUSTRIALIZATION INSTITUTE," AND THE FAO COULD BE RESPONSIBLE FOR TRANSFER OF TECHNOLOGY IN AGRICULTURE. THEY SAID THAT THE MAJORITY POINT OF VIEW SEEMED TO BE THAT THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT SHOULD CONCENTRATE ON FOOD PRODUCTION RATHER THAN ALL AGRICULTURAL PRODUCTION.

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8. THE GOV REPS NOTED WITH INTEREST THE SECRETARY'S REFERENCE TO STANDARDS OF CONDUCT FOR TRANSNATIONAL ENTERPRISES, BUT OBSERVED THAT THE SECRETARY DID NOT REFER TO THE CODE OF CONDUCT BEING DRAWN UP BY UNCTAD. THEY RAISED STRONG OBJECTIONS TO THE PROPOSED PROMOTION OF ARBITRAL PROCEDURES OR OTHER ARRANGEMENTS WHICH WOULD INFRINGE ON THE JURISDICTION OF NATIONAL COURTS TO MAKE DECISIONS REGARDING INVESTMENT DISPUTES. THEY POINTED OUT THAT CONDUCT OF TNES CANNOT BE EQUATED TO THAT OF SOVEREIGN NATIONS EVEN THOUGH SOME TNES ARE LARGER THAN MANY NATIONS IN SOME RESPECTS. THEY SAID THAT VENEZUELA'S POSITION ON THESE MATTERS IS CONDITIONED BY ITS HISTORY, PARTICULARLY THE 1902 COERCION OF VENEZUELA BY GREAT BRITAIN, GERMANY AND ITALY WHICH LED TO THE ENUNCIATION OF THE DRAGO DOCTRINE THAT NO PUBLIC DEBT SHOULD BE COLLECTED BY ARMED FORCE OR THROUGH OCCUPATION OF AMERICAN TERRITORY BY FOREIGN POWERS. INTERESTINGLY IN THIS INSTANCE NO MENTION WAS MADE OF THE CALVO DOCTRINE.

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9. THE GOV REPS EXPRESSED GENERAL AGREEMENT WITH THE BASIC CONCEPTS GIVEN IN THE SECRETARY'S REMARKS ON TRADE AND COMMODITIES BUT SAID THEY DO NOT AGREE WITH ALL OF THE MEANS PROPOSED TO IMPLEMENT THEM. THEY AGREED EMPHATICALLY THAT THE MARKET FOR BASIC COMMODITIES MUST BE STABILIZED, BUT THEY BELIEVE PRODUCER-CONSUMER FORUMS MUST TAKE ALL COMMODITIES INTO ACCOUNT--THEY REJECTED WITH THE USUAL ARGUMENTS THE CASE-BY-CASE APPROACH TO COMMODITIES AND ARGUED FOR A "BASKET OF COMMODITIES." THEY SAW SOME CONTRADICTION IN THE SECRETARY'S REFERENCES TO A FREE PLAY OF MARKET FORCES AND REFERENCES TO GOVT INTERVENTION. THEY EXPRESSED CONCERN ABOUT METHODS TO BE USED TO DETERMINE PRICE LEVELS AT WHICH COMMODITY MARKETS SHOULD BE STABILIZED, IMPLYING THAT HISTORIC PRICE LEVELS MAY NOT BE AN ADEQUATE STANDARD. THE GOV REPS EXPRESSED DOUBTS CONCERNING THE OPERATION OF THE PROPOSED REVOLVING FUND FOR NATURAL RESOURCES. THEY ALSO QUESTIONED THE PROPOSAL FOR EXPANDING RAW MATERIAL RESOURCES IN LDC'S, POINTING OUT THAT THERE MAY BE A CONFLICT WITH CONSERVATIONIST EFFORTS OF VENEZUELA AND SOME OTHER NATIONS. FOR INSTANCE, VENEZUELA MAY DECIDE TO RETAIN THE ORINOCO TAR BELT AS FUTURE RESERVES WHILE THE U.S. WOULD WISH IT CONVERTED TO IMMEDIATE PRODUCTION.

10. THE GOV REPS COMMENTED ONLY BRIEFLY ON THE SECRETARY'S REMARKS ON THE NEEDS OF THE POOREST NATIONS. THEY INDICATED RATHER EMPHATICALLY THAT VENEZUELA WOULD NOT CONTRIBUTE TO THE IDA, BUT DID NOT EXPLAIN THEIR OBJECTIONS TO PARTICIPATING IN THE REPLENISHMENT OF IDA FUNDS. THEY SAID THAT IF U.S. PARTICIPATION IN IDA FUNDS CITED IN THE SPEECH WERE TRULY CONTINGENT ON PARTICIPATION BY THE PETROLEUM PRODUCING COUNTRIES, THEY BELIEVED IT WOULD COME TO NAUGHT, SINCE THE PETROLEUM PRODUCERS WERE NOT GOING TO CONTRIBUTE. THEY SIMPLY WOULD NOT ACCEPT AN INCREASED ASSISTANCE BURDEN.

11. COMMENT: THERE IS LITTLE DOUBT THAT THE GOV REGARDS THE SECRETARY'S SPEECH AS A GENUINE STEP FORWARD, BUT ONE THAT THE U.S. HAS MADE RELUCTANTLY AND AS A RESULT OF CONSTANT PRODDING AND IN THE FACE OF INCREASING SOLIDARITY AND MILITANCY ON THE PART OF THE THIRD WORLD. THE GOV IS FRANKLY SKEPTICAL THAT THE U.S. HAS THE DETERMINATION AND POLITICAL WILL TO COME TO GRIPS WITH THE DIFFICULT ISSUES INVOLVED.

WE SHOULD NOT EXPECT THAT THE GOV WILL BE OVERLY COOPERATIVE IN SUPPORTING THE MEASURES PROPOSED BY LIMITED OFFICIAL USE

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THE SECRETARY. THE VENEZUELANAS HAVE SOUGHT TO IDENTIFY THEMSELVES WITH THE THIRD WORLD AS A MEANS OF PROTECTING THEMSELVES ON THE OIL PRICES. THEIR VIEWS AS THEY EXPRESS THEM AT ANY GIVEN TIME ARE HEAVILY CONDITIONED BY WHAT THEY PERCEIVE TO BE THE PREVAILING OPINIONS, ATTITUDES AND POSITIONS OF THE THIRD WORLD LEADERS. IN SHORT, THEY STAY IN STEP WITH

WHAT THEY THINK ARE THE PREVAILING SENTIMENTS IN THE THIRD
WORLD. THEY WILL NOT
RISK THIRD WORLD SOLIDARITY IN ORDER TO SUPPORT U.S.
POSITIONS, HOWEVER REASONABLE THOSE POSITIONS MIGHT BE.
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